

<i>SERFF Tracking Number:</i>	<i>NALF-127970621</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Life Insurance Company</i>	<i>State Tracking Number:</i>	
<i>Company Tracking Number:</i>	<i>8986(0212)</i>		
<i>TOI:</i>	<i>L09I Individual Life - Flexible Premium Adjustable Life</i>	<i>Sub-TOI:</i>	<i>L09I.101 External Indexed - Single Life</i>
<i>Product Name:</i>	<i>NL ICSR-FlexLife</i>		
<i>Project Name/Number:</i>	<i>NL ICSR-FlexLife/8986(0212)</i>		

Filing at a Glance

Company: National Life Insurance Company

Product Name: NL ICSR-FlexLife

TOI: L09I Individual Life - Flexible Premium
Adjustable Life

Sub-TOI: L09I.101 External Indexed - Single
Life

Filing Type: Form

SERFF Tr Num: NALF-127970621 State: Arkansas

SERFF Status: Closed-Approved-
Closed State Tr Num:

Co Tr Num: 8986(0212) State Status: Approved-Closed

Authors: Susan Carey, Michelle
Goodwin, Susan Sawyer

Date Submitted: 01/12/2012

Reviewer(s): Linda Bird

Disposition Date: 01/17/2012

Disposition Status: Approved-
Closed

Implementation Date Requested:

State Filing Description:

Implementation Date:

General Information

Project Name: NL ICSR-FlexLife

Project Number: 8986(0212)

Requested Filing Mode: Review & Approval

Explanation for Combination/Other:

Submission Type: New Submission

Overall Rate Impact:

Status of Filing in Domicile: Pending

Date Approved in Domicile:

Domicile Status Comments:

Market Type: Individual

Individual Market Type:

Filing Status Changed: 01/17/2012

State Status Changed: 01/17/2012

Created By: Michelle Goodwin

Corresponding Filing Tracking Number:

Deemer Date:

Submitted By: Michelle Goodwin

Filing Description:

Form 8986(0212), Interest Crediting Strategies Rider

Today we are submitting a revised rider to be used with both new issue and in force business of our Indexed Flexible Premium Adjustable Benefit Life Insurance Policies, Forms 8971AR(0911) and 8972AR(0911) approved by your department on September 1, 2011, under SERFF Tracking NALF-127353595.

The implementation date for the filed form is March 1, 2012.

<i>SERFF Tracking Number:</i>	<i>NALF-127970621</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Life Insurance Company</i>	<i>State Tracking Number:</i>	
<i>Company Tracking Number:</i>	<i>8986(0212)</i>		
<i>TOI:</i>	<i>L09I Individual Life - Flexible Premium</i>	<i>Sub-TOI:</i>	<i>L09I.101 External Indexed - Single Life</i>
	<i>Adjustable Life</i>		
<i>Product Name:</i>	<i>NL ICSR-FlexLife</i>		
<i>Project Name/Number:</i>	<i>NL ICSR-FlexLife/8986(0212)</i>		

Form 8986(0212), Interest Crediting Strategies Rider

Form 8986(0212), Interest Crediting Strategies Rider, will replace Form 8986(0911) also approved on September 1, 2011, under SERFF Tracking NALF-127353595. This rider describes the elements and methods used in calculating Indexed Strategies for each Indexed Segment of an individual flexible premium adjustable benefit life insurance policy with index-linked interest options.

The only difference between the revised rider and the previously approved rider is the addition of the following sentence to the "Index" provision on page 2 of the rider:

"If an Index is discontinued, becomes unavailable to us or if the calculation of the Index is changed substantially, we will substitute a comparable alternative Index and you will be notified of such change."

New Indexed Strategy

There is a new point-to-point indexed strategy, which is shown on the submitted data pages. This strategy will use an index that is new to our portfolio, MSCI Emerging Markets Index. The Guaranteed Minimum Participation Rate will be 100%, the Guaranteed Minimum Index Earnings Cap will be 3.00%, and the Indexed Term is one year.

Also included with this submission are the following materials:

- Data Pages in support of the submitted forms
- Statement of Variability
- Actuarial Memorandum in support of the submitted form
- Any required certifications and/or checklists

Company and Contact

Filing Contact Information

Michelle Goodwin, Policy Forms Analyst	MGoodwin@Nationallife.com
One National Life Drive	802-229-7441 [Phone]
Montpelier, VT 05604	802-229-3743 [FAX]

Filing Company Information

National Life Insurance Company	CoCode: 66680	State of Domicile: Vermont
One National Life Drive	Group Code: 634	Company Type:
Montpelier, VT 05604	Group Name:	State ID Number:
(802) 229-3333 ext. [Phone]	FEIN Number: 03-0144090	

SERFF Tracking Number: NALF-127970621

State: *Arkansas*

Filing Company: *National Life Insurance Company*

State Tracking Number:

Company Tracking Number: 8986(0212)

TOI: L09I Individual Life - Flexible Premium
Adjustable Life

Sub-TOI: L09I.101 External Indexed - Single Life

Product Name: NL ICSR-FlexLife

Project Name/Number: NL ICSR-FlexLife/8986(0212)

Filing Fees

Fee Required? Yes

Fee Amount: \$100.00

Retaliatory? No

Fee Explanation: \$50 per form (x2)

Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
National Life Insurance Company	\$100.00	01/12/2012	55254022

SERFF Tracking Number:	NALF-127970621	State:	Arkansas
Filing Company:	National Life Insurance Company	State Tracking Number:	
Company Tracking Number:	8986(0212)		
TOI:	L09I Individual Life - Flexible Premium Adjustable Life	Sub-TOI:	L09I.101 External Indexed - Single Life
Product Name:	NL ICSR-FlexLife		
Project Name/Number:	NL ICSR-FlexLife/8986(0212)		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved-Closed	Linda Bird	01/17/2012	01/17/2012

<i>SERFF Tracking Number:</i>	<i>NALF-127970621</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>National Life Insurance Company</i>	<i>State Tracking Number:</i>	
<i>Company Tracking Number:</i>	<i>8986(0212)</i>		
<i>TOI:</i>	<i>L09I Individual Life - Flexible Premium</i>	<i>Sub-TOI:</i>	<i>L09I.101 External Indexed - Single Life</i>
	<i>Adjustable Life</i>		
<i>Product Name:</i>	<i>NL ICSR-FlexLife</i>		
<i>Project Name/Number:</i>	<i>NL ICSR-FlexLife/8986(0212)</i>		

Disposition

Disposition Date: 01/17/2012

Implementation Date:

Status: Approved-Closed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: NALF-127970621 State: Arkansas

Filing Company: National Life Insurance Company State Tracking Number:

Company Tracking Number: 8986(0212)

TOI: L09I Individual Life - Flexible Premium Sub-TOI: L09I.101 External Indexed - Single Life

Adjustable Life

Product Name: NL ICSR-FlexLife

Project Name/Number: NL ICSR-FlexLife/8986(0212)

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Flesch Certification		No
Supporting Document	Application		No
Supporting Document	Health - Actuarial Justification		No
Supporting Document	Outline of Coverage		No
Supporting Document	Actuarial Memorandum		No
Supporting Document	Investment Procedures		No
Supporting Document	Statement of Variability		No
Form	Interest Crediting Strategies Rider		No
Form	Data Pages - ICSR		No

SERFF Tracking Number: NALF-127970621 State: Arkansas

Filing Company: National Life Insurance Company State Tracking Number:

Company Tracking Number: 8986(0212)

TOI: L09I Individual Life - Flexible Premium Sub-TOI: L09I.101 External Indexed - Single Life

Adjustable Life

Product Name: NL ICSR-FlexLife

Project Name/Number: NL ICSR-FlexLife/8986(0212)

Form Schedule

Lead Form Number: 8986(0212)

Schedule Item Status	Form Number	Form Type Form Name	Action	Action Specific Data	Readability	Attachment
	8986(0212)	Policy/Cont Interest Crediting ract/Fratern Strategies Rider al Certificate: Amendmen t, Insert Page, Endorseme nt or Rider	Initial		77.600	8986(0212).pdf
	ICSR	Data/DeclarData Pages - ICSR ation Pages	Initial			ICSR DP NL.pdf

INDEX

SECTION	PAGE
<hr/>	
INTEREST CREDITING STRATEGIES RIDER	
Basic Strategy	1
Fixed-Term Strategy	1
INDEXED STRATEGIES	
Indexed Segment	2
Index	2
Index Value	2
Index Growth	2
Participation Rate	3
Index Earnings Cap	3
Index Earnings	3
Deduction Hierarchy	4
Termination	4
Effective Date	5

INTEREST CREDITING STRATEGIES RIDER

The Company has issued this Rider as part of the Entire Contract. If there are any conflicts between this Rider and the policy, the provisions of this Rider will prevail. Defined terms and contractual provisions are set forth in the policy or are added or replaced in this Rider. This Rider is attached to and amends the policy as of the Effective Date of the policy.

This Rider describes the elements and methods used in calculating Interest Strategies for each Indexed Segment of an individual flexible premium adjustable life insurance policy with index-linked interest options. Although an external index or Indexes may affect the policy values, the policy does not directly participate in any stock or equity investments. No dividends are payable.

BASIC STRATEGY

Interest will be credited to the Accumulated Value in the Basic Strategy on a daily basis at a rate not less than the Accumulated Value Interest Rate shown in the Data Section.

The Basic Strategy Minimum Value for each Policy Month is equal to the Basic Strategy Minimum at the beginning of a Policy Year multiplied by an adjustment factor, where:

1. the Basic Strategy Minimum at the beginning of a Policy Year is equal to 12.5 multiplied by the Monthly Deduction due on the first day of that Policy Year; and
2. the adjustment factor is equal to $[1-(m-1)/12.5]$; and
3. m = Policy Month.

All Net Premiums are paid into the Basic Strategy. On the 21st day of each month, the Accumulated Value in the Basic Strategy that is in excess of the Basic Strategy Minimum Value, subject to a minimum amount of \$50.00, will be transferred to one or more interest crediting strategies, including the Fixed-Term Strategies and Indexed Strategies according to an allocation selected by the Applicant at the time of policy application. The Owner has the right to change the allocation selection.

FIXED-TERM STRATEGY

Each transfer of Accumulated Value made to this strategy creates a distinct Fixed-Term Segment. Each Fixed-Term Segment will have a duration of one year. Interest will be credited to the Accumulated Value in each Fixed-Term Segment on a daily basis at a rate not less than the Accumulated Value Interest Rate shown in the Data Section.

Accumulated Value cannot be transferred out of any Fixed-Term Segment prior to the end of its one-year duration and at that time will be automatically transferred to the Basic Strategy. Different Fixed-Term Segments may be credited interest at different rates.

*National Life Insurance Company
One National Life Drive * Montpelier, Vermont 05604 * (800) 732-8939*

INDEXED STRATEGIES

INDEXED SEGMENT

Accumulated Value in this rider is apportioned into one or more segments distinguished by their Indexed Strategies.

Each transfer of Accumulated Value made to an Indexed Strategy creates a distinct Indexed Segment. For the applicable Indexed Strategy, each Indexed Segment will have an Indexed Term as shown in this riders Data Section. Index Earnings will be credited to the Accumulated Value in each segment at the end of the crediting period.

INDEX

The Index refers to a well known published numerical value, excluding dividend income, used to indicate the performance of stocks and/or bonds used in the determination of Index Earnings made to each segment within an Indexed Strategy. The Index used for the applicable Indexed Strategy is shown in this riders Data Section. If an Index is discontinued, becomes unavailable to us or if the Index is changed substantially, we will substitute a comparable alternative Index and you will be notified of such change.

INDEX VALUE

The Index Value as of any date is the published value of the Index at the close of business on that date. If no value was published on that date, the last published value of the Index will be used.

INDEX GROWTH

The Index Growth for an Indexed Segment is calculated at the end of the segments crediting period.

The Index Growth for Point-to-Point Indexed Strategies is equal to:

1. the Index Value as of the Indexed Term anniversary of the Indexed Segment; minus
2. the Index Value as of the inception of the Indexed Segment; this difference divided by
3. the Index Value as of the inception of the Indexed Segment.

The Index Growth for Point-to-Average Indexed Strategies is equal to:

1. the sum of the Index Values for each day the Index Value was published between the inception of the Indexed Segment and the Indexed Term anniversary of the Indexed Segment, excluding the Index Value at inception but including the Index Value on its anniversary; divided by
2. the number of days the Index Value was published between the inception of the Indexed Segment and the Indexed Term anniversary of the Indexed Segment excluding the day it was created but including the anniversary; minus
3. the Index Value as of the inception of the Indexed Segment; this difference divided by
4. the Index Value as of the inception of the Indexed Segment.

PARTICIPATION RATE

Each Indexed Segment will have a Participation Rate. The Participation Rate is determined in advance of establishment of an Indexed Segment. The Participation Rate will never be less than the Guaranteed Minimum Participation Rate for the applicable Indexed Strategy as shown in this riders Data Section.

INDEX EARNINGS CAP

Each Indexed Segment will have an Index Earnings Cap. The Index Earnings Cap is determined in advance of establishment of an Indexed Segment. The Index Earnings Cap for a segment will never be less than the Guaranteed Minimum Cap for the applicable Indexed Strategy as shown in this riders Data Section.

INDEX EARNINGS

The Index Earnings for each Indexed Segment are calculated at the end of the crediting period of such segment as follows:

1. the Index Growth for the segment multiplied by the segments Participation Rate, with this product adjusted so that it is no less than zero and no greater than the segments Index Earnings Cap; multiplied by
2. the value of the Indexed Segment at the end of the crediting period.

The Owner may not request that Accumulated Value in an Indexed Segment be transferred out of that segment prior to the end of the segments crediting period. Accumulated Value in an Indexed Segment may be transferred out of that segment prior to the end of the segments crediting period for the payment of Monthly Deductions, for the creation of a Fixed Net Cost Loan, due to partial Withdrawal, or due to the termination of the policy. Indexed Earnings will be credited on the Accumulated Value remaining in an Indexed Segment at the end of the segments crediting period. At the end of the crediting period the Accumulated Value in the Indexed Segment is automatically transferred to the Basic Strategy.

DEDUCTION HIERARCHY

Monthly Deductions and Withdrawals, including the Withdrawal Fee, will be taken from the Accumulated Value from each segment in the following order:

1. first, from the Basic Strategy until exhausted;
2. next, from the Fixed-Term Strategy until exhausted;
3. then, from each Indexed Strategy in the order that the Indexed Strategies are listed in this riders Data Section until the value of the Indexed Strategy is exhausted.

Accumulated Value in the amount of the Fixed Net Cost Loan plus any unpaid loan interest will be removed from the Interest Crediting Strategies in the following order:

1. first, from the Basic Strategy until exhausted;
2. next, from the Fixed-Term Strategy until exhausted;
3. then, from each Indexed Strategy in the order that the Indexed Strategies are listed in this riders Data Section until the value of the Indexed Strategy is exhausted.

If the Fixed-Term Strategy and/or the Indexed Strategies have multiple segments, deductions are made in the reverse order in which the segments were created.

TERMINATION

This rider will terminate the date the policy terminates.

EFFECTIVE DATE

The effective date of this rider is the policy's Effective Date unless a different date is indicated in the rider's Data Section.

Signed for National Life Insurance Company at Montpelier, Vermont by


President & Chief Executive Officer

DATA SECTION

INTEREST CREDITING STRATEGIES RIDER

POLICY NUMBER: [NL1234567]

INSURED: [ETHAN ALLEN]

EFFECTIVE DATE: [MARCH 15, 2012]

AS OF THE EFFECTIVE DATE, THE FOLLOWING RATES ARE APPLICABLE TO INTEREST CREDITING STRATEGIES TO WHICH YOU MAY DIRECT YOUR PREMIUM. THESE RATES ARE IN EFFECT UNTIL FURTHER NOTICE.

FIXED-TERM STRATEGY

FIXED-TERM SEGMENT LENGTH:	1 YEAR
MINIMUM FIXED-TERM SEGMENT INTEREST RATE:	2.50% ANNUAL EFFECTIVE RATE

INDEXED STRATEGY 1 – POINT TO POINT

INDEX:	STANDARD & POOR'S 500 INDEX
INDEXED TERM:	1 YEAR
GUARANTEED MINIMUM PARTICIPATION RATE:	100%
GUARANTEED MINIMUM INDEX EARNINGS CAP:	3.10%

INDEXED STRATEGY 2 – POINT TO POINT

INDEX:	STANDARD & POOR'S 500 INDEX
INDEXED TERM:	1 YEAR
GUARANTEED MINIMUM PARTICIPATION RATE:	110%
GUARANTEED MINIMUM INDEX EARNINGS CAP:	3.00%

INDEXED STRATEGY 3 – POINT TO POINT

INDEX:	STANDARD & POOR'S 500 INDEX
INDEXED TERM:	1 YEAR
GUARANTEED MINIMUM PARTICIPATION RATE:	25%

INDEXED STRATEGY 4 – POINT TO AVERAGE

INDEX:	STANDARD & POOR'S 500 INDEX
INDEXED TERM:	1 YEAR
GUARANTEED MINIMUM PARTICIPATION RATE:	30%

INDEXED STRATEGY 5 – POINT TO POINT

INDEX:	MSCI EMERGING MARKETS INDEX
INDEXED TERM:	1 YEAR
GUARANTEED MINIMUM PARTICIPATION RATE:	100%
GUARANTEED MINIMUM INDEX EARNINGS CAP:	3.00%

DATA SECTION

INTEREST CREDITING STRATEGIES RIDER

POLICY NUMBER: [NL1234567]

INSURED: [ETHAN ALLEN]

EFFECTIVE DATE: [MARCH 15, 2012]

DEDUCTION HIERARCHY:

- FIXED-TERM STRATEGY
- INDEXED STRATEGY 4 – POINT TO AVERAGE
- INDEXED STRATEGY 1 – POINT TO POINT
- INDEXED STRATEGY 2 – POINT TO POINT
- INDEXED STRATEGY 3 – POINT TO POINT
- INDEXED STRATEGY 5 – POINT TO POINT

INDEX-LINKED RETURNS DO NOT INCLUDE THE PORTION OF RETURNS GENERATED BY THE UNDERLYING INDEX THAT COMES FROM DIVIDENDS.

THE ELEMENTS USED IN DETERMINING THE CREDITED RATE FROM THE INDEX ARE NOT GUARANTEED AND CAN BE CHANGED BY THE COMPANY, SUBJECT TO THE GUARANTEES IN THE POLICY AND THAT ANY SUCH CHANGES CAN AFFECT THE RETURN.

SERFF Tracking Number:	NALF-127970621	State:	Arkansas
Filing Company:	National Life Insurance Company	State Tracking Number:	
Company Tracking Number:	8986(0212)		
TOI:	L09I Individual Life - Flexible Premium Adjustable Life	Sub-TOI:	L09I.101 External Indexed - Single Life
Product Name:	NL ICSR-FlexLife		
Project Name/Number:	NL ICSR-FlexLife/8986(0212)		

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Flesch Certification		
Comments:			
Attachments:			
AR ReadCert.pdf			
AR Cert.pdf			
		Item Status:	Status Date:
Bypassed - Item:	Application		
Bypass Reason:	Not applicable to this rider filing		
Comments:			
		Item Status:	Status Date:
Bypassed - Item:	Health - Actuarial Justification		
Bypass Reason:	not applicable		
Comments:			
		Item Status:	Status Date:
Bypassed - Item:	Outline of Coverage		
Bypass Reason:	not applicable		
Comments:			
		Item Status:	Status Date:
Satisfied - Item:	Actuarial Memorandum		
Comments:			
Attachments:			

SERFF Tracking Number: NALF-127970621 State: Arkansas
Filing Company: National Life Insurance Company State Tracking Number:
Company Tracking Number: 8986(0212)
TOI: L09I Individual Life - Flexible Premium Sub-TOI: L09I.101 External Indexed - Single Life
Adjustable Life
Product Name: NL ICSR-FlexLife
Project Name/Number: NL ICSR-FlexLife/8986(0212)

Memorandum.ICSR.8986(0212).pdf

Memorandum.BasePolicy.8986(0212) AppendixI IndexStrat.pdf

Item Status:

Status

Date:

Satisfied - Item: Investment Procedures

Comments:

Attachment:

Investment Procedures NL FLXL.pdf

Item Status:

Status

Date:

Satisfied - Item: Statement of Variability

Comments:

Attachment:

ICSR SOV.pdf

National Life Insurance Company
Certification of Readability

We certify that, to the best of our knowledge and belief, each of the forms listed below meets the minimum reading ease score required by Arkansas Statute Annotated Section 66-3251 through 66-3258, cited as the Life and Disability Insurance Policy Language Simplification Act.

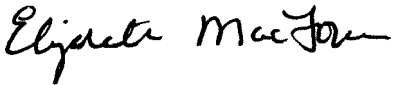
Form Number

Flesch Score

8986(0212)

77.6

January 10, 2012
Date



Elizabeth MacGowan,
Vice President – Product Development

CERTIFICATION
STATE OF ARKANSAS

Regarding: 8986(0212), Interest Crediting Strategies Rider

I, Elizabeth MacGowan, certify for National Life Insurance Company that the forms referenced above meet the provisions of Regulation 19§10B, as well as all applicable requirements of the Arkansas Insurance Department.

I further certify that the forms referenced above are in compliance with Regulation 49 concerning Life & Health Guaranty Association Notices and Arkansas Insurance Code 23-79-138 concerning required policy information.

National Life Insurance Company



Elizabeth MacGowan, FSA, MAAA
Vice President – Product Development

January 10, 2012
Date

NL Indexed Interest Crediting and Investment Procedures for Indexed Universal Life

National Life Insurance Company
Policy Form 8971 and 8972

Indexed Interest Crediting

Index Description

The Standard & Poor's Composite Stock Price Index ("S&P 500 Index") measures the performance of the U.S. stock market as represented by 500 companies selected by Standard & Poor's. The index is market-value weighted so that the influence of each company on the index is proportional to its market value.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The index consists of 21 emerging market country indices.

Other indices may be considered in the future.

The Index Value

The "index value" as of any date is the published value of the index at the close of business on that date. If no value was published on that date, then the last published value of the index is used.

Indexed Segments

Each sweep into an indexed strategy creates a distinct "indexed segment" with a one-year crediting period. At the end of each crediting period, index earnings are credited to each indexed segment according to the segment's declared crediting strategy (either European or Asian). Each indexed segment will have a participation rate and an index earnings cap, which are determined in advance for each crediting period. Participation rates and index earnings caps are set based on interest rates and other relevant factors, such as general economic conditions, marketing considerations, and tax or other regulatory changes.

Index Segment Value

On each segment anniversary, the "indexed segment value" is calculated as follows:

1. the indexed segment value on the previous indexed segment anniversary; minus
2. withdrawals from the indexed segment during the policy year just ended; minus
3. monthly deductions from the indexed segment during the policy year just ended.

For the purpose of calculating indexed segment value, withdrawals requested on a segment anniversary and monthly deductions taken on a segment anniversary will not be included in calculating the indexed segment value for the policy year just ended.

Index Growth

At the end of the crediting period, the “index growth” for each indexed segment is calculated as a function of the index performance over the crediting period just ended.

Indexed Strategies 1, 2, and 3 are point-to-point/European strategies which are distinguished from one another only by their participation rates and index earnings caps. The index growth for Indexed Strategies 1, 2, and 3 is calculated as follows:

- a) the index value as of the one-year anniversary of the indexed segment; minus
- b) the index value as of the inception of the indexed segment; this difference divided by
- c) the index value as of the inception of the indexed segment.

Indexed Strategy 4 is a point-to-average/Asian strategy which differs from the first 3 strategies in its index growth calculation method. On each segment crediting date, the index growth for Strategy 4 is calculated as follows:

- a) the sum of the index values for each day the index value was published between the inception of the indexed segment and the one-year anniversary of the indexed segment, excluding the index value at inception, but including the index value on its anniversary; divided by
- b) the number of days the index value was published between the inception of the indexed segment and the one-year anniversary of the indexed segment, excluding the day it was created, but including the anniversary; minus
- c) the index value as of the inception of the indexed segment; this difference divided by
- d) the index value as of the inception of the indexed segment.

Indexed Earnings

At the end of each indexed segment’s crediting period, “index earnings” for the segment are calculated as follows:

- 1. index growth for the segment, multiplied by the segment’s participation rate, with this product adjusted so that it is no greater than the segment’s index earnings cap, and no less than 0%; multiplied by
- 2. the indexed segment value at the end of the crediting period.

An indexed segment’s index earnings calculated at the end of a crediting period are added to the indexed segment value at the end of the crediting period. Index earnings are not calculated or credited until the end of the crediting period.

Investment Policy

Investment Strategy

The Company plans to invest the bulk of the assets backing the product in the types of fixed income securities and mortgage loans which it traditionally invests in to provide for its obligations on fixed annuity and life insurance policies. These investments will be designed to ensure that the Company will be able to meet its guaranteed obligations under the indexed policies.

The Company will meet its obligation to credit excess interest by investing the remaining portion of the portfolio backing the product in options, forwards, and futures on the S&P 500 Index, the MSCI Emerging Markets Index, and possibly other indices in the future, with the intent that a portfolio of options, forwards, and futures will always be maintained which will produce returns, on a total portfolio basis, which will be sufficient to fund obligations to credit excess interest on indexed contracts. The assets backing the product are held in the General Account and are not formally segregated from the assets supporting non-indexed contracts.

Availability of Investments

Investments for the product are fixed income instruments (primarily bonds and mortgages) and hedging instruments. Because there are large and liquid markets for these instruments, it is unlikely that they would not be available in sufficient quantities to support the product. If the hedging instruments became unavailable in the future, the terms of the policy would permit the Company to declare an index earnings cap and participation rate equal to the guarantees as set forth in the policy for indexed segments reaching the ends of their segments and for new segments. In that event, the management of the product would effectively be similar to that of an ordinary Universal Life insurance product.

Hedging Policy

The derivatives used for hedging will be options and/or futures contracts based on the index. The amount and strike of the options are based upon the indexed segment values, the index, the index earnings cap, and the participation rate. The methodology for measuring the adequacy of the current hedge position will include a measurement of the change in the value of assets and liabilities due to a change in the index ("delta"). It may also include additional measurements related to the potential future changes in liabilities and assets (such as "gamma", "theta", "rho", and/or "vega"). The methodology for determining when and how to rebalance the hedge position will include a tolerance level for mismatches, and a strategy determining which assets to buy or sell when a mismatch exceeds this tolerance level.

The maturities of derivatives investments used in the hedging program are chosen such that the sensitivities of the assets are closely aligned with those of the liabilities being hedged.

The liabilities are updated weekly to reflect the changes in the indexed segment values due to the occurrence of deaths, surrenders, withdrawals, and other potentialities. The hedging system used to manage the asset portfolio will be run and analyzed at least twice per day and frequently more often. For option valuation work, the Company uses both internally developed Black-Scholes models and off-the-shelf versions widely distributed by numerous vendors.

The Company handles the risks associated with purchasing hedging instruments as follows:

1. *Liquidity Risk*: The Company faces minimal liquidity risk in its derivatives activities because it will not enter into derivatives investments in strategies that depend on liquidating derivatives contracts prior to expiration or maturity. Liquidity necessary for its business will be available entirely from other sources.
2. *Credit Risk*: The Company is exposed to the risk that counterparties on over-the-counter derivatives contracts will default on such contracts. It mitigates this risk by dealing only with counterparties meeting the Company's stated criteria.
3. *Market Risk*: The Company will minimize this risk by selecting derivative instruments which match the item being hedged.
4. *Pricing Risk*: The Company assumes that market prices may change between the time the participation rate and index earnings cap is set and the time the Company hedges the liability. Sometimes the market will move in the Company's favor, while at other times the market will move against the Company. Over time this risk will be minimal. As a further measure against pricing risk, the Company limits the amount of time between liability pricing and hedging activity.
5. *Legal Risk*: All derivatives contracts must be in writing and are thoroughly reviewed by the Law Department.
6. *Operations Risk*: The procedures for effecting derivatives transactions are designed to minimize the possibility of human error and are subject to review by the Company's internal audit department.

The Chief Investment Officer and the Chief Actuary shall perform a review and submit a report to the Investment Risk Management Committee, at least once per year, of the professional personnel engaged in the execution of the Company's derivatives investments program and the systems employed in this program.

The individuals currently authorized to trade derivatives transactions include: Senior Vice President and Chief Investment Officer of National Life Insurance Company and Life Insurance Company of the Southwest as well as Senior Vice President of Sentinel Asset Management, Inc., Thomas H. Brownell, CFA; Senior Vice President, Sentinel Asset Management, Inc., David M. Brownlee, CFA; Senior Vice President, Sentinel Asset Management, Inc., Jason Doiron, FRM, PRM; Vice President, Sentinel Asset Management, Inc., Kenneth J. Hart.

Counterparties

The Company will enter into over-the-counter derivatives transactions only with dealers with which it has a written master agreement which provides for netting of payments owed by the parties and only pursuant to such agreements. The Company will enter into over-the-counter derivatives transactions only with dealers which are either domiciled within the United States, or within a foreign jurisdiction listed in the Purposes and Procedures Manual of the Securities Valuation Office of the NAIC as eligible for netting.

The Company shall prepare a report at least monthly which calculates the current counterparty exposure amount for each counterparty with which the Company has outstanding over-the-counter derivatives contracts. Sentinel Asset Management, Inc., bears primary responsibility for review and monitoring of these counterparty exposure reports.

Current and Prospective Counterparties:

- Merrill Lynch International, SVO Rating = 1
- JP Morgan Chase Bank, NA, SVO Rating = 1
- Goldman, Sachs, & Co., SVO Rating = 1
- Credit Suisse International, SVO Rating = 1
- Barclay's Bank, PLC, SVO Rating = 1

Dynamic Analysis of Hedging Effectiveness

A report providing an analysis of the hedging effectiveness of the derivatives shall be provided to the Investment Risk Management Committee. The report will include the following information:

- New or renewed liability options guaranteed
- + option maturities or proceeds from closed long positions
- + gain (or less loss) on closed short positions
- + gain (or less loss) on closed futures positions
- + change in market value of hedges
- + change in cash from open short sales

Less:

- cost of call options purchased
- + index-based interest credited on products
- + change in market value of the option component of index-based liabilities
- + gain due to policy decrements

Equals:

Hedging Effectiveness

Asset Adequacy Testing

The cash flow testing is performed annually using specified deterministic future scenarios as well as randomly generated stochastic future scenarios. Economic scenarios encompassing randomized and correlated movements in both market interest rates and the S&P 500 Index, and possibly other indices, will be tested. To the extent that derivatives are employed for hedging, the cash flow testing will consider the effect of both the derivative and the exposure being hedged. The analysis aims to assess the adequacy of both the fixed income securities backing the guarantees as well as the options backing the equity exposure.

Statutory Statement

Statutory accounting treatment of the assets and liabilities does not create any significant distortions to the income statement or balance sheet. The derivatives are marked-to-market and a substantially similar adjustment is made to the liabilities under Actuarial Guideline 36. The Indexed Universal Life product will be reported, for risk based capital purposes, with the same risk characteristics as life insurance.

Any changes in investment strategies relative to this filing will be filed on an ongoing basis. The Company will provide any additional information that the department may request at a later date.



Craig A. Smith, FSA, MAAA

1/12/2012

Date

National Life Insurance Company
Statement of Variability
8986(0212) and ICSR
For use with 8971(0911) & 8972(0911)

The Data Pages contain brackets, used to designate variable items that may be unique for each policyholder or issue of the submitted policy. Descriptions of the bracketed items follow:

Variables for the company address - these are subject to change.

OFFICER NAME and TITLE: The officer name and signature and title plaque on the rider is bracketed in the event an officer and or the title of said officer signing the policy form changes. Any new title utilized or name of an officer changed will be the title and name of an officer of the Company.

Data Pages: ICSR

POLICY NUMBER: This 7-digit number is the unique policy number by which we distinguish each policy issued on this form. This number appears within the Data Pages.

INSURED: This is the Insured's name and will be unique to each Insured. This appears within the Data Pages.

EFFECTIVE DATE: This provides the Effective Date of the policy, and it appears within the Data Pages.